

Before the **RECEIVED**  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554 **SEP 24 2001**

In the Matter of  
Petition of WorldCom, Inc. Pursuant  
To Section 252 (e)(5) of the  
Communications Act for Expedited  
Preemption of the Jurisdiction of the  
Virginia State Corporation Commission  
Regarding Interconnection Disputes  
With Verizon Virginia, Inc., and for  
Expedited Arbitration

) **FEDERAL COMMUNICATIONS COMMISSION**  
) **OFFICE OF THE SECRETARY**

CC Docket No. 00-218

In the Matter of  
Petition of Cox Virginia Telecom, Inc.  
Pursuant to Section 252 (e)(5) of the  
Communications Act for Preemption  
Of the Jurisdiction of the Virginia State  
Corporation Commission Regarding  
Interconnection Disputes with Verizon  
Virginia, Inc. and for Arbitration

CC Docket No. 00-249

In the Matter of  
Petition of AT&T Communications  
Virginia Inc., Pursuant to Section 252 (e)(5)  
of the Communications Act for Preemption  
of the Jurisdiction of the Virginia  
Corporate Commission Regarding  
Interconnection Disputes with Verizon  
Virginia, Inc.

CC Docket No. 00-251

**PANEL SURREBUTTAL TESTIMONY**

**ON BEHALF OF AT&T AND WORLDCOM, INC.**

**ON NON-RECURRING COSTS AND ADVANCED DATA SERVICES**

**\*\*\*PUBLIC VERSION\*\*\***

September 21, 2001

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1    **I.       INTRODUCTION AND SUMMARY**

2    **Q.       MS. MURRAY, PLEASE STATE YOUR NAME, TITLE AND BUSINESS**  
3    **ADDRESS.**

4    A.       My name is Terry L. Murray. I am President of the consulting firm Murray &  
5              Cratty, LLC. My business address is 227 Palm Drive, Piedmont, CA 94610.

6    **Q.       MS. MURRAY, HAVE YOU PREVIOUSLY TESTIFIED IN THIS**  
7    **PROCEEDING?**

8    A.       Yes, I filed direct testimony on behalf of AT&T Communications of Virginia,  
9              Inc.,<sup>1</sup> ("AT&T") and WorldCom, Inc. ("WorldCom"). Exhibit (TLM-1) to that  
10             testimony provides a summary of my qualifications and experience. I also filed  
11             three pieces of reply testimony, individually on economic and policy issues and,  
12             as a member of panels, on recurring cost issues and on non-recurring costs and  
13             advanced data services.

14   **Q.       MR. WALSH, PLEASE STATE YOUR NAME, TITLE AND BUSINESS**  
15   **ADDRESS.**

16   A.       My name is Richard J. Walsh and my business address is 33 Francis Drive,  
17              Hillsborough, New Jersey 08844. I am presently providing consulting services to  
18              AT&T as a Technical Analyst in the Local Services and Access Management

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1       This surrebuttal testimony is presented on behalf of AT&T Communications of Virginia, Inc., TCG Virginia, Inc., ACC National Telecom Corp., MediaOne of Virginia and MediaOne Telecommunications of Virginia, Inc. (together, "AT&T").

1 (LSAM) / Local Connectivity Cost, Price, and Planning Division. I have also  
2 been retained by WorldCom for the purpose of analyzing and critiquing the non-  
3 recurring cost model and rates proposed by Verizon Virginia in this proceeding.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?**

5 A. Yes, I filed direct testimony on behalf of AT&T and WorldCom. My  
6 qualifications were included with that testimony. I also filed reply testimony as a  
7 member of a panel on non-recurring costs and advanced data services.

8 **Q. MR. RIOLO, PLEASE STATE YOUR NAME, TITLE AND BUSINESS**  
9 **ADDRESS.**

10 A. My name is Joseph P. Riolo. I am an independent telecommunications  
11 consultant. My business address is 102 Roosevelt Drive, East Norwich, NY  
12 11732.

13 **Q. MR. RIOLO, HAVE YOU PREVIOUSLY TESTIFIED IN THIS**  
14 **PROCEEDING?**

15 A. Yes. I submitted Direct Testimony in this proceeding on behalf of AT&T and  
16 WorldCom on July 31, 2001. My qualifications were included as Exhibit JPR-1  
17 to that testimony. I also filed reply testimony as a member of panels on recurring  
18 cost issues and non-recurring costs and advanced data services.

1   **Q.   WHAT IS THE PURPOSE OF YOUR PANEL SURREBUTTAL**  
2   **TESTIMONY ON NON-RECURRING AND ADVANCED SERVICES**  
3   **COSTS?**

4   A.   AT&T and WorldCom have asked us to review and respond to the rebuttal  
5       testimony filed by Verizon Virginia, Inc. (“Verizon VA” or “Verizon”). In  
6       particular, we will rebut Verizon’s critique of ATT/WCOM Non-Recurring Model  
7       (“Verizon NRC Panel Rebuttal”)<sup>2</sup> with respect to non-recurring costs and costs  
8       associated with advanced data services.

9   **Q.   PLEASE SUMMARIZE YOUR TESTIMONY.**

10  A.   We will discuss the following issues:

- 11       •   AT&T and WorldCom have treated OSS costs appropriately. The one-  
12       time development costs to access Verizon’s OSS are caused by the  
13       transition to a competitive environment, not by new entrants’ orders for  
14       UNEs. Therefore, it is inappropriate to recover these costs solely from  
15       new entrants.
- 16       •   Verizon’s task times and the charges based on these task times are inflated  
17       because most of Verizon’s task times are based on a faulty task time  
18       survey. Therefore, the Commission should not base non-recurring charges  
19       on Verizon’s proposed task times.

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2       The members of Verizon’s NRC Panel are Ralph Curbelo, Mike Peduto and John White. Their rebuttal testimony was provided in Verizon Virginia, Inc. Volume II of II.

- 1           • Service order costs should reflect the scheduled “future mode of  
2           operation” changes and other electronic enhancements which are readily  
3           foreseeable or which should be currently in effect.
- 4           • The level of manual intervention should be determined based on what can  
5           and should be accomplished based on a forward-looking network. Thus,  
6           AT&T/WorldCom’s NRCM design using a 2% manual intervention “fall-  
7           out” rate is entirely reasonable.
- 8           • Verizon’s critique that AT&T/WorldCom’s proposed provisioning costs  
9           fail to distinguish between manual intervention resulting from  
10          inefficiencies and those relating to a cost-benefit analysis of automating all  
11          functions must be rejected because it fails to make this distinction in its  
12          own cost study.
- 13          • Verizon’s many failures to dispositively respond to interrogatories indicate  
14          the degree to which its non-recurring cost study is based on speculation.
- 15          • AT&T/WorldCom’s NRCM “bottoms-up” methodology is more  
16          appropriate than that employed by Verizon to determine appropriate non-  
17          recurring charges.
- 18          • There are serious flaws with the RCCC activities represented in the  
19          Verizon non-recurring cost model, especially concerning reusing facilities  
20          and the administrative role that the RCCC plays in providing the so called  
21          “critical” real-time events in the migration of existing Verizon VA retail

1 customers to competitive local exchange carriers “CLECs” via the hotcut  
2 process.

- 3 • The many inconsistencies between Verizon’s model and its data responses  
4 regarding central office wiring make Verizon’s resulting central office  
5 wiring-related costs suspect.
- 6 • Imposition of disconnect costs on CLECs when installing new customers  
7 is not supported by cost causation principles.
- 8 • The Commission should await the results of the DSL collaborative in New  
9 York prior to setting prices for DSL, but to the extent that the Commission  
10 adopts any DSL prices at this time, it should rely on the recommendations  
11 of AT&T/WorldCom.
- 12 • Verizon should not be allowed to double recover loop conditioning costs  
13 in non-recurring charges because the cost of providing “conditioned”  
14 loops is fully recovered in recurring charges.
- 15 • The costs of populating Verizon’s Loop Facility Assignment and Control  
16 System (“LFACS”) and other databases with the relevant loop makeup  
17 information are already captured in Verizon’s factors. The costs for  
18 mechanized access to LFACS would fall within the scope of the  
19 competition-onset costs and should not be borne solely by competitors.

20 The remainder of our testimony explains the basis for each of these conclusions.

1    **II.    AT&T AND WORLDCOM HAVE NOT IGNORED ANY APPROPRIATE**  
2    **OSS COSTS.**

3    **Q.    VERIZON CRITICIZES THE AT&T/WORLDCOM MODELS FOR**  
4    **EXCLUDING THE COSTS OF DEVELOPING THE FORWARD-**  
5    **LOOKING OSS THAT THEY ASSUME.<sup>3</sup> HOW DO YOU PROPOSE TO**  
6    **THAT VERIZON RECOVER THE COSTS OF PROVIDING ACCESS TO**  
7    **OSS?**

8    A.    The AT&T/WorldCom Recurring Cost Panel<sup>4</sup> explained in its rebuttal testimony  
9    our proposed treatment of OSS development costs.<sup>5</sup> In summary, the one-time  
10    development costs to access Verizon's OSS are caused by the transition to a  
11    competitive environment, not by new entrants' orders for UNEs. Therefore, it is  
12    inappropriate to recover these costs solely from new entrants. Because new  
13    entrants incur costs for their own portion of the electronic gateway between their  
14    operation and Verizon's OSS, the simplest competitively neutral mechanism for  
15    cost recovery is to require each company to bear its own costs for access to OSS.  
16    If the Commission authorizes any explicit access to OSS charge, it should be  
17    calculated as a competitively neutral surcharge on all Virginia  
18    telecommunications users. Based on Verizon's reported access to OSS costs, an  
19    eight-cent (\$.08) per month per line surcharge would be sufficient to recover all of

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3    Verizon NRC Panel Rebuttal at 7 and 9-10.

4    The Rebuttal Testimony of Michael R. Baranowski, Terry L. Murray, Catherine E. Pitts,  
Joseph P. Riolo and Steven E. Turner on behalf of AT&T and WorldCom, Inc.

5    AT&T/WorldCom Recurring Cost Panel Rebuttal at 142-167.



1 the alleged costs over a ten-year period.<sup>6</sup> Ongoing OSS expenses are a normal  
2 cost of business and should be recovered in the same way Verizon captures all  
3 normal forward-looking recurring OSS expenses, through its annual cost factors.

4 **Q. ARE THE COSTS OF OSS UPGRADES INCLUDED IN THE**  
5 **RECURRING COSTS?**

6 A. Yes, we believe they are. As the AT&T/WorldCom Recurring Cost Panel argues  
7 in detail and we summarized above, the initial development costs for OSS should  
8 not be recovered through recurring charges. However, Verizon booked its  
9 development costs of “access to OSS” for example, to general computer expense  
10 accounts,<sup>7</sup> that both Verizon and AT&T/WorldCom used to develop recurring  
11 expense factors.<sup>8</sup> And, despite its claims to the contrary, Verizon has failed to  
12 remove all such OSS costs from its expenses factors.<sup>9</sup>

13 OSS development and upgrade projects have been and will continue to be  
14 a part of the ordinary course of business for Verizon. Although they are not tied  
15 to any *specific* projects, the recurring cost expenses factors reflect the costs of

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6 Even the \$.08 per month surcharge figure is likely too high, because Verizon’s access to OSS cost study reflects embedded, rather than forward-looking costs, probably some double-counting with Verizon’s recurring costs, and the costs of potentially duplicative or obsolete systems. Of course, if the Commission adopts our primary recommendation to have each carrier bear its own access to OSS costs, there is no need to resolve these issues because Verizon will bear any costs attributable to its own inefficiencies.

7 See Verizon’s Responses to AT&T/WCOM 7-38, 7-54, and 7-55.

8 See, e.g., Verizon’s Responses to AT&T/WCOM 7-39 and 7-55.

9 See AT&T/WorldCom Recurring Cost Panel Rebuttal at 165-166.

Verizon's Information Management organization to accomplish such projects. Indeed, Verizon's OSS costs do not seem to have increased dramatically as a result of the Telecommunications Act of 1996,<sup>10</sup> nor does Verizon plan to reduce the number of employees in its Information Management and Network organizations once significant one-time development of OSS for UNE services is complete.<sup>11</sup>

**III. VERIZON'S TASK-TIME SURVEY IS FAR FROM A RELIABLE BASIS FOR DETERMINING FORWARD-LOOKING NON-RECURRING COSTS.**

**Q. VERIZON PORTRAYS ITS NON-RECURRING COST MODEL AS BEING BASED ON "ACTUAL DATA," WHILE CRITICIZING AT&T/WORLDCOM FOR RELYING ON THE OPINION OF SUBJECT MATTER EXPERTS.<sup>12</sup> WHAT DOES VERIZON MEAN BY "ACTUAL DATA"?**

A. By "actual data," Verizon appears to refer to its survey of its employees regarding work-time estimates.<sup>13</sup> When questioned about the basis for its non-recurring cost assumptions, Verizon described its non-recurring tasks and task times as based on the "expert opinion" and "actual experience" of its employees.<sup>14</sup> But Verizon's

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<sup>10</sup> Verizon's Response to AT&T/WCOM 7-40.

<sup>11</sup> Verizon's Response to AT&T/WCOM 7-37.

<sup>12</sup> Verizon NRC Panel Rebuttal at 67.

<sup>13</sup> See Verizon's Responses to AT&T/WCOM 10-107, 10-108 and 10-109.

<sup>14</sup> Verizon's Response to AT&T/WCOM 10-110.

1 “actual data” is nothing more than the opinion of its own unidentified subject  
2 matter experts. Furthermore, Verizon collected this information in such a way as  
3 to invalidate it entirely, as we discuss below.

4 **Q. DID VERIZON CONDUCT TIME AND MOTION STUDIES OR**  
5 **OTHERWISE COLLECT “ACTUAL DATA”?**

6 A. No, for the most part. Most of Verizon’s task times are based on its faulty task  
7 time survey. Indeed, Verizon has consistently resisted performing any time or  
8 motion studies, even when ordered to do so. For example, the Public Service  
9 Commission of Maryland recently required Verizon “to develop cost studies  
10 and/or factors that are specific to line sharing and predicated upon bona fide time  
11 and motion studies.”<sup>15</sup> Verizon did not comply with the Maryland Commission’s  
12 directive<sup>16</sup> nor has the company any plans to do so.<sup>17</sup>

13 **Q. SHOULD NON-RECURRING COSTS REFLECT VERIZON’S**  
14 **“ACTUAL” TASK AND TASK TIMES?**

15 A. No. Even if Verizon had gathered valid data concerning its “actual” processes—  
16 which it has not—those data would not necessarily be relevant to a forward-

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15 Maryland Public Service Commission, Case 8842, Phase II, Order 76852 at 13-14.

16 Non-Recurring Cost Testimony of Mr. Bruce F. Meacham, May 25, 2001 at 23 and  
Verizon Maryland’s Responses to Maryland PSC Staff 4-3, 4-4 and 4-9(I), Maryland  
Public Service Commission Case 8879.

17 Verizon Maryland’s Responses to PSC Staff 4-4, Maryland Public Service Commission  
Case 8879. Verizon replied that it has “no ... plans” to comply with the Maryland  
Commission’s directive.

1 looking cost study. A forward-looking non-recurring cost study must assume a  
2 forward-looking network architecture and least cost, efficient practices. A  
3 forward-looking cost study should not reflect Verizon's actual tasks and task  
4 times based on its embedded architecture.

5 **Q. DO YOU HAVE ANY EVIDENCE THAT VERIZON'S TASK TIMES DO**  
6 **NOT REFLECT ITS ACTUAL EXPERIENCE?**

7 A. Yes. The task times resulting from Verizon's survey bear little resemblance to  
8 reality. We provided many examples of excessive task times in our rebuttal  
9 testimony. But even the relationships amongst task times are obviously  
10 erroneous. For example, for many elements and many task times, Verizon's  
11 survey returned higher task times for the "additional" element than for the  
12 "initial" element. It is intuitively clear that provisioning tasks for "additional"  
13 elements on the same order should require the same or less time to accomplish  
14 than for the "initial" element. Verizon has indicated that this discrepancy results  
15 from the fact that its "survey forms were designed to ask separate questions for  
16 the initial and additional unbundled network elements."<sup>18</sup> Verizon suggested, in  
17 the same response, that this may result from the different number of survey  
18 responses for "initial" and "additional" tasks: "Not all survey respondents

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18 Verizon's Response to AT&T/WCOM 7-56.

1 provided a time for both initial and additional elements.”<sup>19</sup> But it is possible and  
2 even likely, as the AT&T/WorldCom Recurring Cost Panel Rebuttal explained,  
3 that some survey respondents intended their blank answers to indicate that no  
4 additional time for a particular task was needed for the “additional” element, and  
5 that others did not understand the question fully.

6 Verizon’s survey has a similar problem with its task times for “connect”  
7 and “disconnect,” where the task times do not line up and it is often the case that  
8 Verizon has assumed a higher time for “disconnect” than for “connect.” For  
9 certain tasks this is clearly nonsensical. For example, Verizon has assumed higher  
10 average travel time to “disconnect” a loop than to “connect” a loop. Once again,  
11 Verizon suggests this mismatch stems from asking the respondents “separate  
12 questions for connects and disconnects,” and notes that not all respondents replied  
13 for both.<sup>20</sup> Verizon attempts to explain the travel time discrepancy in this way:

14 For example, the time it takes to perform the work  
15 activity “Travel to remote/unmanned central office  
16 for the purpose of performing frame provisioning  
17 work” is not the same for connects and disconnects.  
18 It is obvious that the sets of unmanned central office  
19 locations visited are not identical for connects and  
20 disconnects, nor are the relative frequencies with  
21 which trips are made to these locations.<sup>21</sup>

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19 *Id.*

20 Verizon’s Response to AT&T/WCOM 7-57.

21 *Id.*

1           This position is strange given Verizon's position that a disconnect takes  
2 place for every competitor-purchased UNE.

3           Finally, these discrepancies, like the ones detailed in the  
4 AT&T/WorldCom Recurring Cost Panel Rebuttal, highlight a fundamental  
5 problem with Verizon approach—its small sample size.

6   **Q.   SHOULD THE COMMISSION ADOPT COSTS BASED ON VERIZON'S**  
7   **TASK TIME SURVEY?**

8   A.   No. As we explained in depth in our August 27 reply testimony,<sup>22</sup> Verizon  
9 committed numerous errors in survey design, data collection and data processing  
10 that produced inflated and unreliable results. These errors are not limited to the  
11 more extreme examples that we listed in our reply testimony, but are pervasive  
12 throughout the survey. Verizon's survey could not possibly represent efficient  
13 work times—we presented numerous examples of inflated, inefficient task times  
14 in our reply testimony. Because Verizon's survey methodology is so seriously  
15 flawed, the Commission should not use the survey results as the basis for setting  
16 non-recurring charges.

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22   AT&T/WorldCom Panel Reply on Non-Recurring Costs and Advanced Data Services at 74-92.

1    **IV.    SERVICE ORDERING COSTS SHOULD BE BASED ON FORWARD-**  
2    **LOOKING FLOW-THROUGH PROCESSES.**

3    **Q.    VERIZON ASSERTS, “AT&T/WORLDCOM SIMPLY FAIL TO**  
4    **RECOGNIZE THAT SOME ORDERS ARE NOT DESIGNED TO FLOW**  
5    **THROUGH THE SYSTEM BECAUSE IT IS EITHER TECHNICALLY**  
6    **INFEASIBLE OR ECONOMICALLY INEFFICIENT TO DESIGN**  
7    **AUTOMATED SYSTEMS TO HANDLE SUCH ORDERS.”<sup>23</sup> DID**  
8    **VERIZON PROVIDE AT&T/WORLDCOM WITH EXAMPLES TO**  
9    **SUPPORT THIS CLAIM?**

10            A.    No. Verizon’s claims are unsupported and unfounded. Discovery  
11            question AT&T/WCOM 7-6 requested Verizon’s analysis of how the OSS  
12            systems and functions it currently provides to competitive carriers might change  
13            as the result of the merger between GTE and Bell Atlantic. Verizon provided a  
14            document in response<sup>24</sup> that highlights \*\*\***BEGIN VERIZON PROPRIETARY**

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23    Verizon NRC Panel Rebuttal at 8.

24    Verizon’s Response to AT&T/WCOM 7-6, attachment: “Plan of Record for Uniform  
OSS Pursuant to Bell Atlantic/GTE Merger Conditions.”

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This quotation from the Plan of Record indicates that the ordering interfaces are currently available. In addition to the ordering interfaces, the document specified what products could be ordered using a local service request (“LSR”) or an access service request (“ASR”). The following table is a list of all<sup>25</sup> products that can be ordered electronically today within the Verizon

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(continued)



1 (formerly Bell Atlantic) footprint. It suggests something far different than  
2 Verizon's Service Ordering TISOC non-recurring costs.

3 **\*\*\*BEGIN VERIZON PROPRIETARY**

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11           Although Verizon claims<sup>26</sup> that some orders are not designed to flow  
12 through, the company fails to specifically identify these types of orders. Instead,  
13 Verizon simply padded its occurrence factors throughout the model making its  
14 conclusions impossible to validate. Verizon stated in its testimony:

15                     If a UNE, or the necessary process for ordering that  
16 UNE, is complex and requires numerous levels of  
17 checks and coordination, designing a flow through  
18 process would be time-consuming and costly, if it  
19 could be done at all.<sup>27</sup>

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26     Verizon NRC Panel Rebuttal at 8.

27     Verizon NRC Panel Rebuttal at 9.

1           AT&T/WorldCom asked Verizon to provide support indicating the  
2           percentages of orders by type that would be considered *too complex* to allow  
3           automatic flow through provisioning.<sup>28</sup> Verizon failed to provide examples  
4           supporting its claims. Verizon's response is a reflection of how it perceives non-  
5           recurring costs. Instead of presenting percentages of orders so that  
6           AT&T/WorldCom and others could evaluate them, Verizon falls back on its  
7           position that *all costs perceived by Verizon in the service ordering stage are non-*  
8           *recurring costs* regardless of who the cost causer would be.<sup>29</sup>

9           Verizon's position must be rejected. As we stated in our rebuttal, two  
10          possible conditions exist in which service-ordering activities performed by the  
11          TISOC would be a non-recurring cost. In the first, the OSS lacks the necessary

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28       AT&T/WCOM 10-142.

29       See Verizon's Response to AT&T/WCOM 10-142, which states:

a.       Verizon VA does not categorize order types as "complex" or "simple." Rather, Verizon VA recognizes that, within any particular order type, there are likely to be simple orders that tend to flow through the OSS and more complex orders that sometimes do not. The proportion of simple and complex orders will vary among order types, and this diversity is reflected in the diversity of Typical Occurrence Factors assumed in the model.

b.       The [Verizon non-recurring cost model] develops the cost to process a service order for 5 different types of orders (loop, platform, EEL, digital, and special) and that cost is applied to all orders of the same type, regardless of their complexity. **That is, costs incurred in responding manually to particularly complex orders are spread among all orders through application of the Typical Occurrence Factor.** (emphasis added)

1 modifications or edits that would allow flow through to happen. The second  
2 condition that warrants a non-recurring cost in the service ordering stage is  
3 CLEC-caused fallout (such as errors in format or content detected by the OSS),  
4 for which Verizon must manually return the LSR back to the CLEC.

5 Verizon did not identify the elements for which the OSS was not capable  
6 of processing the request electronically (condition #1), nor did Verizon identify  
7 the percentage of orders for which it must manually return the order back to the  
8 CLEC (condition #2). The table presented above from Verizon's own  
9 documentation shows that no products fall under condition # 1 (that is, the OSS is  
10 capable of processing the request electronically for all elements). Nonetheless, in  
11 an attempt to justify its position, Verizon pointed to an example that does not  
12 reflect a limitation of the OSS, but rather a policy that it has in place to determine  
13 if an order can be fulfilled. The Verizon NRC Panel states:

14 Verizon VA's Telecom Industry Services Operating  
15 Center (TISOC), recently redesignated as the  
16 National Marketing Center (NMC), manually  
17 handles many CLEC service orders. One type of  
18 order that requires manual intervention by design is  
19 a service order for more than five new POTS loops  
20 at a single location. To process such an order,  
21 Verizon VA's TISOC representatives must request  
22 that Verizon VA's outside plant engineers perform a  
23 facility check to verify that there are enough

1 facilities at that particular location to fulfill the  
2 request.<sup>30</sup>

3 This policy does not justify the imposition of a non-recurring cost.

4 Verizon framed its TISOC argument in the rebuttal testimony by  
5 presenting this basis for preventing the automatic processing of the CLEC's  
6 request.

7 Obviously, in designing its network, Verizon VA  
8 has had to use its best engineering judgment to  
9 estimate how many total lines end users will use.  
10 Such an estimate may not have accounted for an  
11 order containing an unusually large number of lines  
12 at a single premises. As a result, Verizon has  
13 learned through experience in the retail environment  
14 that such a facility check is useful before promising  
15 a customer a due date so as to avoid having to move  
16 the due date if it turns out additional facilities will  
17 be required.<sup>31</sup>

18 If Verizon's policy did justify non-recurring cost, then the resulting  
19 activities related to the policy would also have to be non-recurring in nature. In  
20 other words, the policy of determining demand would also include the  
21 Engineering departments, followed by the Outside Plant Construction  
22 departments, and finally the Central Office departments—all of which would be  
23 necessary to provide the construction activities necessary to rearrange the plant to  
24 meet the demand. But, Verizon has not included the manual work of these

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30 Verizon NRC Panel Rebuttal at 10.

31 Verizon NRC Panel Rebuttal at 10.

1 departments as non-recurring as a result of this claimed TISOC activity. That  
2 likely is because Verizon knows that the cost for this policy is avoidable under a  
3 TELRIC recurring cost study in the long run. Verizon simply did not go far  
4 enough to remove the TISOC activity from its cost study—a problem that  
5 pervades the entire Verizon non-recurring cost model.

6 Moreover, Verizon's stated policy presumes that its records do not permit  
7 the company to determine how many facilities it has available for a given location  
8 without going out and looking. Hence, this is really a workaround policy  
9 designed to deal with poor embedded data. In any event, the request cannot be  
10 fulfilled, Verizon would use maintenance or construction activities (and expenses)  
11 reflected in the recurring rates to modify its plant. The only non-recurring cost  
12 involved is the transaction cost of connecting the CLEC to that piece of the  
13 network. The mere fact that Verizon has a policy in place to maintain and  
14 rearrange plant in connection with service orders does not convert the cost of  
15 those activities into non-recurring costs.

16 **Q. HOW SHOULD THIS COMMISSION DECIDE THE LEVEL OF**  
17 **MANUAL INTERVENTION THAT IS NECESSARY IN THE SERVICE**  
18 **ORDERING STAGE?**

19 A. Non-recurring costs should be based on the manual activity necessary to order  
20 and provision a single request, examined as an end-to-end process flow within an  
21 efficient, forward-looking network modeled in accordance with TELRIC

1 principles. Service ordering is by and large a flow-through process when  
2 electronic CLEC requests for a single UNE are assumed.

3 In TELRIC analysis all costs caused by the construction and maintenance  
4 of a forward-looking network are captured in the recurring model and must  
5 therefore be excluded from the non-recurring model to avoid double counting. In  
6 contrast, Verizon builds its non-recurring costs by attempting to account for all of  
7 the activities of its existing departments and workgroups without consideration of  
8 how those activities would relate to the construct of a TELRIC recurring cost  
9 analysis. Thus, Verizon's fallout percentages reflect a variety of inefficiencies  
10 that exist in its embedded network, or are recurring costs in TELRIC analysis and  
11 which should therefore be excluded from non-recurring costs.

12 **V. VERIZON'S OWN NON-RECURRING STUDY FAILS TO DISTINGUISH**  
13 **BETWEEN FALLOUT AND DESIGNED MANUAL HANDLING.**

14 **Q. VERIZON ASSERTS THAT IT IS IMPORTANT TO DISTINGUISH**  
15 **BETWEEN "FALLOUT" AND DESIGNED MANUAL HANDLING. HAS**  
16 **VERIZON, IN FACT, MADE THIS DISTINCTION IN ITS STUDY?**

17 A. No. Verizon's study is devoid of any such distinctions. Verizon's NRC Panel  
18 states:

19 it is important to distinguish here between  
20 "fallout"—that is, manual processing that is needed  
21 in connection with orders that are designed to flow  
22 through OSS electronically—and situations in